DOCUMENTS, REPORTS, AND LEGISLATION

Commerce and Industries

In the state series of bulletins of the federal Census of Manufactures: 1914, has been published *New York* (pp. 147); and in the industry series, *Clothing* (pp. 22); *Patent and Proprietary Medicines and Compounds and Druggists' Preparations* (pp. 8); *The Leather Industry* (pp. 63); *Wool Manufactures* (pp. 48); and *Chemical and Allied Industries* (pp. 85).

The Bureau of Foreign and Domestic Commerce, of the United States Department of Commerce has published the following:

Miscellaneous Series:

No. 63, *Trade of the United States with the World, 1916 and 1917*: Part 1, *Imports* (pp. 112).

No. 66, *Furniture Imports of Foreign Countries, 1908 and 1913*, by Edward Whitney (Washington, pp. 31).

Special Agents Series:

No. 155, *Electrical Goods in Australia,* by R. A. Lundquist (pp. 64).

No. 163, *Paper, Paper Products, and Printing Machinery in Argentina, Uruguay,* by Robert S. Barrett (pp. 165).

No. 165, *Tanning Materials of Latin America,* by Thomas H. Norton (pp. 32).

No. 166, *Agricultural Implements and Machinery in Australia and New Zealand,* by Juan Homs.

No. 168, *Wearing Apparel in Chile,* by W. A. Tucker (pp. 75).

Tariff Series, No. 37, *Customs Tariff of Australia,* by L. Domeratzky (pp. 104).

Special Consular Reports, No. 80, *Foreign Markets for Cotton Linters, Batting and Waste* (pp. 84).

In Bulletin No. 242 the federal Bureau of Labor Statistics deals with the *Food Situation in Central Europe, 1917* (Washington, April, 1918, pp. 128). About 60 pages are devoted to Germany, 40 pages to Austria, and the remaining portion to Hungaria, Bulgaria, and Turkey. The material was largely derived from continental newspapers and was compiled and translated by Alfred Maylander.

The Latin American Division of the Bureau of Foreign and Domestic Commerce is issuing weekly a series of mimeographed circulars relating to various phases of commerce in Central and South America. Copies may be had upon request from the district offices

of the bureau, in New York, Boston, Chicago, St. Louis, Seattle, and San Francisco.

Reprints from the Yearbook of the Department of Agriculture, 1917, have been made: *Wool: Production, Foreign Trade, Supply, and Consumption,* by George K. Holmes (Washington, 1918, pp. 26); *Sugar Supply of the United States,* by Frank Andrews (pp. 16).

The War Trade Board has printed a new *Enemy Trading List,* revised to March 15, 1918 (Washington, pp. 152). This board has also issued its *Rules and Regulations,* a manual for shippers (Washington, May, 1918, pp. 112).

The Chamber of Commerce of the United States of America has prepared a special bulletin on *The Sheep and Wool Industry in the United States* (Washington, Riggs Bldg., Apr. 26, 1918, pp. 8), which includes summarized statistics and maps.

The Federal Trade Commission has made its report on *Flour Milling and Jobbing* (Washington, Apr. 4, 1918, pp. 27). This deals with costs and profits of millers and distributors of wheat flour during the past five years, and marketing conditions and practices of millers and distributors of wheat flour. It does not relate to the conditions in the retail trade.

The Extension Service of the Massachusetts Agricultural College has published two bulletins of general interest: *The Community Market,* by Lorian P. Jefferson (Amherst, Mass., pp. 22), containing a brief bibliographical list; and *Seed Production in 1918,* by H. E. Thompson (pp. 18).

The National Shawmut Bank, Boston, has prepared a pamphlet on government control, *Industries under Control for Winning the War* (pp. 24). Each industry is outlined showing the extent of price fixing.

The Guaranty Trust Company of New York has issued a series of bulletins which contain scattered data relating to trade conditions: *Taking Stock of the Future* (Mar. 18, 1918); *Organizing for the Victories of Peace* (Apr. 1); *Looking Forward* (Apr. 1); *Breaking Ties that were Fetters* (May 6); *Mariners and Merchants of the North* (May 20); *The Promise of our Vision,* an address by Francis H. Sisson (May 28); *A Record that is a Promise* (June 8); and *The Advantage of Opportunity* (June 24).

The report of a special committee has been prepared and circulated by the San Francisco Chamber of Commerce on *The Wonderful Ad-*

vantages of a Free Port (1004 Merchants Exchange Bldg., San Francisco, pp. 53).

Corporations

Fixing Depreciation Requirements Under the Public Service Commission's Law of New York. In connection with the reorganization of the Metropolitan Street Railway Company, the Public Service Commission of New York, First District, ordered the New York Railways Company (successor of the Metropolitan Street Railway Company) to set aside 20 per cent of its operating revenues for maintenance and to reserve for depreciation what was not required for repairs and current upkeep. One of the chief causes of the financial collapse of the New York City street railways was that they were not maintained out of earnings. Replacements were successively financed out of bond issues and finally placed an intolerable interest burden upon the system. In the reorganization, the Public Service Commission sought to prevent the recurrence of such gross financial neglect and accordingly required definite provision for maintenance and depreciation.

The New York Railways has contested the order in the courts. The commission was first upheld by the Appellate Division of the Supreme Court, First Department. But on May 14, 1918, the Court of Appeals reversed the lower court on the ground that the order was beyond the power of the Public Service Commission. There was no question of the requirement being excessive or unreasonable. While the Public Service Commission's law granted the commission power to prescribe a uniform system of accounts, to regulate the issue of securities, to fix reasonable rates, and to require reasonable service and conditions of service, it did not provide expressly for the control of the financial policies of the railroad companies. To require 20 per cent of the revenues to be set aside for repairs and depreciation did not come within the designated powers, but amounted to an interference with financial management.

This is one of the characteristically legalistic decisions made from time to time by the Court of Appeals as to the interpretation of statutes dealing with economic policy. The court seems inclined to view such statutes from the narrow standpoint of phraseology and not according to the broad purpose of the law and the economic facts with which the laws are concerned. Such was the narrow view in the recent Quinby decision, April 5, 1918, when the court held that the Public

Service Commission was not granted the power to increase rates on electric railways where the rates had been fixed by local franchise, and it is the same view that controls in the present case. In both cases, the broad purpose of the Public Service Commission's law was completely disregarded; the decisions were based on the specific terms of the law, and, according to this standard, are entirely correct. But what shall be said of the standard?

As to the present case, the purpose of the Public Service Commission's law may be stated as threefold: (1) to regulate ne wcapital issues for the protection of investors in public utility securities, (2) to secure reasonable rates for consumers, and (3) to prescribe a uniform system of accounts, to provide a mechanism by which the desired regulation may be effected. Liberal consideration of these purposes would reasonably permit the commission to fix the requirements for maintenance and depreciation. And if these purposes are to be carried out, the commission simply must control depreciation—if not directly, then indirectly. It is expressly directed to regulate the issue of securities, and may allow new issues only for new investment in property. But in the determination of the new investment, the commission obviously must consider depreciation, and if it cannot fix the depreciation charges directly in the operating expenses, it is nevertheless in duty bound to make the requirement indirectly through its orders in capitalization cases. Likewise, in fixing reasonable rates, among the operating expenses that must be included to show cost of service are repairs and depreciation, and the allowance depends upon what the commission finds proper, and not upon the company's financial management. Again, then, the commission must do indirectly what it is not permitted to do directly by the decree of the court.

The commission has the explicit power to prescribe a uniform system of accounts, and it has established a system for the electric railways. In this system it has provided an operating expense account for depreciation and a reserve account to cover the depreciation funds and to show the amount of fixed capital that has been charged to the cost of operation. The fundamental purpose of the accounting order is to provide a mechanism by which control over the issue of securities and rates for service may be readily exercised. The accounts should show at any time the additions to the investment for which new securities may be issued; but for this purpose, they should show the amount of the depreciation to be deducted from cost of the property, to give the net addition to investment which may be capitalized. Unless proper accounting provisions are made, the control of security issues

is extremely cumbersome, expensive, and time consuming. An independent investigation of the property must be made for each application, which takes time and money, while the necessary facts should be up-to-date and be directly ascertainable from the accounts. The chief difficulty in the regulation of securities has been the lack of an effective accounting machinery. The book values of properties have not been adjusted to correspond with the proper capitalization, and the decision of the Court of Appeals will make the adjustment in New York all the more difficult. Yet the absolute purpose of the law is to control capitalization.

Likewise, in the control of rates, after the first appraisal of a property to show the investment entitled to a return when a company is first brought under regulation, the fundamental facts necessary for any subsequent rate determination should be shown by the accounts. Following the first appraisal, the property accounts should be rewritten according to the valuation, and thereafter should show the cost of all additions, the amount of the retirements written off, and the accrued depreciation, so as to give the net investment on which a return should be allowed. Then the rate base would be constantly determined for instant use. Similarly the operating accounts should show the full cost of service, including maintenance and depreciation. Again, rate proceedings have been unwieldy, long drawn out and expensive affairs, because the accounts have not shown reliable investment figures and operating costs, and rate control will not be effective till the accounts can be used as a direct instrument for the purpose. The commission had been working to this end, but the Court of Appeals has greatly increased the difficulty of the task.

The control of capitalization and rates are finally parts of the same process. Primarily, perhaps, the purpose of regulating capitalization is to protect the investors. Obviously, however, securities are protected only when the amounts they represent are permitted to earn a fixed return. But fixing a valuation as the basis of a return is primarily a matter of rate control. Protection of securities, therefore, depends upon the control of rates, so that the two purposes involve the same basis of valuation. The facts, then, for both capitalization and rate control should appear directly in the accounts; and when the capitalization is properly fixed, this in itself furnishes the most convenient valuation for rate purposes. But in this entire scheme, the facts of maintenance and depreciation are essential elements and should be furnished by the accounts. When they are not shown, the work of the commission is rendered to that extent more unwieldy and ineffective.

This fact was probably not appreciated by the Court of Appeals, but why interfere with a technical procedure unless the result will be clearly contrary to the broad purpose of the law? What injury can come to the company through definite requirements for repairs and depreciation, if the amounts are reasonable and are clearly needed for the protection of the property?

JOHN BAUER.

Princeton University.

THE CONTROL OF STREET RAILWAY RATES FIXED BY LOCAL FRANCHISES IN THE STATE OF NEW YORK. Operating costs of street railways as well as of other public utilities have been increasing the past year so rapidly that in many instances rate increases must be allowed if insolvency is to be avoided and reasonable service maintained. At this critical time, however, when the public utilities commissions should keep particularly close track of the financial conditions of the companies, promptly granting rate increases where they are necessary, in the state of New York the machinery of rate control as applied to street railways has come to an almost complete standstill.

On April 5, 1918, in the so-called Quinby case, the Court of Appeals of the State of New York decided that, while the public service commissions of the state have been granted plenary powers by the legislature to deal with all statutory rates for street railways, they were not given power to increase rates above the local franchise provisions. Since 1875 the state constitution has forbidden the construction or operation of a street railroad without the prior consent of the local authorities (art. III, sec. 8). Such consent in any case has constituted the local franchise, and has been based extensively upon a maximum 5-cent fare and free transfers. The Court of Appeals now holds that while the commissions have full power to deal with street railway fares where there are no franchise restrictions, they were not granted the authority to increase rates beyond such restrictions.

There is a question, however, whether the legislature itself has power over franchise rates and whether it can delegate control to the commissions. This question was specifically reserved from the decision, but the language of the court nevertheless implies that the legislature itself has no power over franchise restrictions. The Public Service Commission of the Second District (in Case 5105, Application of the New York and North Shore Traction Company for increase in rates) held that maximum rates fixed by local franchise are protected by the constitution and cannot be increased except by local consent

(IV, P. S. C. Rept. 2d Dist. N. Y., 587). On appeal this view was reversed by the Appellate Division of the Supreme Court, Third Department, which held that the commissions have full power over street railway rates, whether fixed by statute or local franchises (175 App. Div. 869). The latter view was then adopted by the Second District Commission, but not by the First District (Case 2217, N. Y. & North Shore Traction Co, Application for increase in fares, decided January 10, 1918). Now, in the Quinby case, there is at least a final decision as to the power granted by the legislature to the commissions, but the ultimate question whether the franchise rates are subject to legislative control is uncertain. But, of course, maximum rates fixed by franchise may be reduced by the commissions.

What can be done? Many companies are facing a real emergency, and have fairly expected relief from the commissions. Where there are no franchise restrictions, rate advances may be readily granted. But where there are local maxima, the commissions are powerless and relief can be granted only by the municipal authorities. These, however, are not equipped to deal with rate questions. They may not grant concessions fairly required or may authorize advances not justified by facts; in law they are not bound to do anything—they simply hold to their original franchise bargain. There is not likely to be any consistent policy, and the result is bound to be unsatisfactory to the public as well as to the companies.

There are probably many cases when the commissions can furnish relief. Some companies, though probably very few important ones, are not burdened with any franchise restrictions. Many others have restrictions on some lines but not on others, so that as to the latter, rate increases are legally possible; and this is probably characteristic of most large companies. But even in such cases there is a question how far, practically, advances may be made without rendering the general rate system unreasonable and introducing various discriminations which are forbidden by the statute. There is also the direct statutory requirement that only one fare may be charged on the lines of a company, which may prevent higher rates on lines not directly burdened by franchise requirements. Can this provision be set aside by the commissions? In any extensive and complicated street railway system, it seems that about all the commission can do is to make a financial investigation in a case, so that the company may take the findings before the local authorities as the basis for seeking relief.

To a layman it is not at all clear why the legislature should be considered as having delegated to the commissions all control over

statutory rates but not the maxima fixed by franchise. Where is there such a distinction in the statutes? The decision certainly makes nonsense out of the contemplated system of regulation wherever there are local restrictions, and creates confusion in an important industry—in many instances particularly important because of the war. To be sure the legislature may now specifically give the commissions authority over franchise rates; but this will take time, while many companies are in perilous financial state this instant. But even then there would be the question whether the legislature itself has the authority over rates fixed under constitutional power granted to local authorities. By the time this could be decided, many valuable and important properties might be overwhelmed by the mounting costs of operation.

Any consistent policy to protect both the public and the companies, and provide desirable service and necessary extension of facilities, requires elastic and full control, so that the commissions may freely advance as well as lower the rates, also fix the various requirements of service. If at all possible, the law should have been interpreted from this view, and that this was possible appears from the divided decision of the court, Chief Justice Hiscock and Justice Collin dissenting. The difficulty seems to be the failure to comprehend the fundamental economic facts involved. The decision, after all, must have been based on the court's view of proper policy, since the legislature has given no indication of any restriction upon the commissions' control over rates. If the legislature had intended a limitation in so important a matter, would it not have made a specific restriction?

The question finally becomes really the constitutional one, which was not decided but must nevertheless have controlled the minds of the court, whether when the constitution granted the local authorities the right of prior consent before a street railroad may be constructed or operated, the grant is a limitation upon the legislature's power in the control of such railroad. But before such general local power can interfere with any systematic control by the legislature and the commissions, there must be an *interpretation* that the right to give consent implies the right to fix conditions upon which the consent is based. But when conditions are so fixed, including maximum rates and transfers, do they have the full protection of the constitution in spite of a systematic policy of regulation which the legislature has determined and which economically is highly desirable if not absolutely necessary? Is the entire power in this matter to be annulled because of a very general constitutional provision?

In 1875 when the special power was granted to the local authorities, franchise restrictions furnished the only known protection of the public

against arbitrary charges or other unreasonable action by street railway companies, and under those conditions a liberal interpretation of the power was reasonable. Since 1907, however, a comprehensively regulatory system has been developed, which recognizes the special economic nature of public utilities and accordingly provides for systematic control of service and rates. The policy is state wide, not local, seeking to protect and positively benefit all the people, the public as well as the investors. Is this policy to be aborted because of local franchise provisions? Where is the absolute constitutional necessity? Where, even, are the previous decisions that reasonably require such a construction?

The Quinby decision and the final constitutional view that it foreshadows, have a general interest outside of the state of New York. A number of the states have constitutional provisions essentially like that of New York, so that the present New York view will serve at least as a powerful precedent in other jurisdictions. The development of a rational regulatory policy has been a slow and laborious process, and, at best, existing methods are crude and cumbersome. Still, there is a comprehensive policy, which may be worked into an effective system. But the present New York decision, if generally followed in other states, will practically destroy any clear regulation of street railways. Shall we then depend upon inflexible franchise control? Or shall we turn to municipal ownership and operation? Why cut short the rather promising policy of commission regulation?

John Bauer.

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The Interstate Commerce Commission has issued its *Seventh Annual Report on the Statistics of Express Companies in the United States,* for the years ended June 30, 1916 and 1915 (Washington, 1918, pp. 22).

Reports have been submitted by the Senate Committee on Interstate Commerce relating to the *Federal Control of Transportation Systems during the War* (65 Cong., 2 Sess., Rept. 246); part 1, by Senator Smith (pp. 8); part 2, by Senator Cummins (pp. 13); and part 3, by Senator Poindexter (pp. 6).

The Bureau of Railway Economics has continued its useful series with *Statistics of Railways, 1906-1916, United States* (pp. 58).

A federal document entitled *Decrees and Judgments in Federal Anti-Trust Cases, July 2, 1890-January 1, 1918,* compiled by Roger Shale

(Washington, Supt. Doc., 1918, pp. 860, $1.25) reproduces all the decrees (civil and criminal) rendered by the federal courts in antitrust cases. It should prove invaluable to those interested in the trust problem, since most of the material contained therein has not heretofore been readily accessible.

The Guaranty Trust Company of New York in a pamphlet entitled *Laying the Rails for Future Business* publishes an address by Francis H. Sisson on the law for the federal control of railroads.

Digests of state laws relating to corporations have been prepared recently for Maine, *Business Corporations* (Augusta, Secretary of State, 1917, pp. 66), and for Delaware, *Digest of the Delaware Corporation Law,* fifth edition (Wilmington, 1918, pp. 40).

Reports of public utility commissions recently issued are:

Sixth Annual Report of the Public Utilities Commission of Connecticut (Hartford, 1918, pp. 535).

Reports of Decisions of the Public Service Commission of the Second District of the State of New York, 1917 (Albany, vol. VI, pp. 451).

Thirty-third Annual Report of the Board of Gas and Electric Light Commissioners of Massachusetts (Boston, 1918, pp. 279, 463).

Thirty-third Annual Report of the Railroad and Warehouse Commission of the State of Minnesota (St. Paul, 1918, pp. 462).

Tenth Annual Report of the Board of Railroad Commissioners and Ex-officio Public Service Commission of Montana (Helena, 1917, pp. 420).

Eighth Annual Report of the Quebec Public Utilities Commission, 1917 (Quebec, pp. 22).

At the request of the Public Service Commission of Massachusetts, John A. Beeler submitted under date of November 10, 1917, an extended *Report on the Methods and Practices of the Boston Elevated Railway Company* (Boston, 1918, pp. 279). This contains a detailed analysis of methods of operation and possible economies, illustrated by charts and maps.

Labor

REPORT OF THE RAILROAD WAGE COMMISSION. Little less than epoch making was the report presented last April to the Director General of Railroads by the commission of four men entrusted with the consideration of the railway wage situation (*Report of the Railroad Wages Commission to the Director General of Railroads,* Washington, United States Railroad Administration, April 30, 1918, pp. 156); extraordi-

nary because of the emergency that confronted them, the magnitude and complexity of their task, and, by no means least, the broad sympathy with which they approached the problem. Witness the human keynote struck by the opening phrases:

> To ask of a man, "What wages should you in justice receive?" is to ask perhaps the profoundest of all human questions. He is at once compelled to an appraisement of his own contribution to the general good. He must look not selfishly on his own material needs, but take a far view of the needs of those dependent upon him. He must go into the whole involved problem of his relationship with his fellows, and to answer the question aright he must in the end come to a judgment which will be nothing less than a determination of what policy or plan of wage adjustment will make for the permanent well-being of the State.

Director General William G. McAdoo assumed control of railway operation in the United States on December 28, 1917. At once he found himself face to face with a serious labor problem. For months railway employees had shown signs of restlessness. There had been concerted and individual demands for increased wages; many had left the railway service to enter more attractive fields of activity. Living costs were mounting and the situation demanded immediate attention. That the Director General realized the necessity of prompt action is shown by the fact that three weeks from the date of assuming control a carefully chosen commission of four men was at work on the problem: Franklin K. Lane, Secretary of the Interior, Charles C. McChord of the Interstate Commerce Commission, Chief Justice J. Harry Covington of the Supreme Court of the District of Columbia, and William R. Willcox of New York. The Director General's order (No. 5, January 18, 1918) creating this commission directed them to "make a general investigation of the compensation of persons in the railroad service, the relation of railroad wages to wages in other industries, the conditions respecting wages in different parts of the country, the special emergency respecting wages which exists at this time owing to war conditions and high cost of living, as well as the relation between different classes of railroad labor," and to recommend in general terms its findings "as to changes in existing compensations that should be made."

The commission worked rapidly and presented its recommendations on April 30, or ten weeks after appointment. They reported that the requests for increased compensation presented to them by representatives of railway labor aggregated over one billion dollars a year, representing an average increase of 50 per cent. The requests ranged from 100 per cent down to 10 per cent, but "none were satisfied with their present wages."

Here was the problem: two million railway workers, earning about two billions a year. What increase should be made in the two billions, and how should it be distributed among the two millions? "Quite evidently the need or the desert of each class of labor is not to be measured by its demands. The bolder should not be given all they ask merely for their boldness, while the more modest are insufficiently rewarded for the service they render because of their modesty."

The commission first considered and discarded the proposal to award uniform increases of a fixed amount per month to all workers as a species of war bonus. This principle would not only have failed to distinguish between classes whose needs varied widely, but would have granted additional compensation to those who had already received considerable increases since the beginning of the war, while to others it would not have afforded enough to meet increased living costs. To obviate these objections the commission decided, first, to take January 1, 1916, as the date from which to reckon the serious rise in living costs, due to the war; second, to adopt 40 per cent as a round measure of the rise in prices from that date to April 30, 1918; third, to regard an employee receiving $85 a month at the beginning of 1916 (approximately $1,000 a year) as the recipient of a standard or living wage[1] and to increase his compensation by 40 per cent so as to bring his standard of living on April 30 to a par with that of January, 1916; fourth, so to scale up the rate of increase for employees receiving less than $85 that none would receive less than $20 additional per month, while those receiving over $85 and less than $250 should have their rates of increase scaled down from 40 per cent.

"Upon those who can best afford to sacrifice (*i.e.*, the better paid classes) should be cast the greater burden," says the report, in explanation of its sliding scale. And again: "There is high authority for saying that 'to him that hath, shall be given, but from him that hath not shall be taken away even that which he hath.' The plan we recommend is an expression of the reverse policy. We take from no man that which he hath, insuring him as much as he has now, but we would add materially to the fund of those who have least. And of these there are many." The commission found that 12 per cent of railway employees (under $3,000 per year) received $50 per month or less during December, 1917, 65 per cent received $85 or less, 80 per cent received $100 or less, while only 3 per cent received $150 or more.

[1] The commission did not use the phrase "standard wage," but that was the idea clearly in their minds. Their exact language is as follows: "There is a point up to which it is essential that the full increased cost [of living] shall be allowed as a wage increase, while from this point on the increase may be gradually diminished."

A brief summary of the table of increases proposed by the commission is given below. The commission's table covered each monthly rate of pay from $46 to $250, arranged in dollar groups, $46, $47, $48, and so on.

Monthly compensation during December, 1915	Rate of Increase	Proposed rate of compensation
Under $46	$20	Various
$46.01 — $47	43 per cent	$67.21
50.01 — 51	42.35 "	72.60
65.01 — 66	41 "	93.06
84.01 — 85	40 "	119.00
100.01 — 101	31.29 "	132.60
125.01 — 126	22.11 "	153.85
150.01 — 151	15.96 "	175.10
175.01 — 176	11.56 "	196.35
200.01 — 201	8.26 "	217.60
225.01 — 226	5.69 "	238.85
239.01 — 250	Various	250.00

For pieceworkers and trainmen paid on a mileage basis, special scales were worked out by the commisssion, in which the proposed rates of increase were applied, as nearly as possible, to the unit rate of pay.

The proposed increases applied to the wage actually received during December, 1915, (*i.e.*, in force January 1, 1916) and increases already granted by roads since that date were to be credited against the recommended increases. For example, a man receiving $100 per month on January 1, 1916, would be increased to $132.60 on January 1, 1918, regardless of any increases made in his rate of pay during the two intervening years. If he had already received increases aggregating $25 during the period, his rate would be increased only $7.60; if $32.60 or more, his compensation would remain stationary, without reduction. Furthermore the rate of increase went with the *position,* not with the individual, so that men promoted to posts of greater responsibility since January 1, 1916, would receive the rates applicable to their new duties rather than to their old duties. Finally, all proposed increases were retroactive from January 1, 1918.

The broad principle of equal pay for equal service is laid down by the report. Applied specifically to woman's work, it is made applicable as well to other groups of employees, whether organized or unorganized. The report recognizes the increasing necessity of the em-

ployment of women, but warns against overworking them, or in any way overlooking the moral, sanitary and other safety standards prescribed by law and public opinion.

As to salaries, their recipients should be subjected to the same general standards of appraisal as wage-earners, some large salaries being too high while many of the lower salaries are too low. The commission recognized that the salary question is largely a matter of individual adjustment and arrangement.

The report closes with ten interesting appendices, devoted principally to French and British railway wage adjustments since 1914; to cost of living data, including both price changes and statistics of family budgets; to the classified wages of 1,940,000 railway employees, and to railway hours of service.

In general, the report of the Railroad Wage Commission was adopted and made effective by the Director General. He modified it with respect to the minimum rates applicable to certain classes of workers, laid down the principle of the eight-hour day, and made some other adjustments, but in broad outline he accepted the findings of the commission. It is estimated that the aggregate annual wage increase effected by General Order No. 27 amounts to at least $300,000,000, an average increase of 16 per cent.

For its sympathetic handling of a complicated problem, and for the simple method evolved for working out a general increase in the wages of two million workers, the report of the commission deserves only the highest praise. It does not follow that the method of applying a uniform scale of increase to all workers earning a given amount is the best solution of the wage problem, nor is it certain that the proposed scale will be found wholly satisfactory, even when modified to meet special conditions. Any general increase rewards the inefficient with the efficient; the efficient worker who has already earned increases during the past two years now sees as a reward his less efficient fellow-worker brought, without effort, to a par with himself, while he gets little or nothing himself. Further, the higher paid classes, who under the new scale receive comparatively little, are the most articulate in their demands and the most ready to express their disappointment. Again, countless questions are bound to arise in connection with administration, such as regard newly created positions, promotions and transfers from position to position, and the like. Difficulties such as these are inherent in any general award. The commission were doubtless aware of the fact, but were forced to work out a speedy adjustment, applicable to the needs of the particular time, and so nearly

equitable in a rough way that the sense of justice of the average citizen would be satisfied. Whatever the results, the report marks a forward step toward the solution of the labor problem.

JULIUS H. PARMELEE.

Washington, D. C.

PREVENTION OF UNEMPLOYMENT. The late Mayor Mitchel of New York City appointed two committees to deal with the problems of unemployment brought on by the industrial depression in 1914. A large committee of 100 was formed that year and in January, 1916, this was resolved into a smaller committee, intended to be permanent, whose duties were to be "to deal constructively with the problem of unemployment and prepare against a recurrence of unemployment crises."

The report on *How to Meet Hard Times: A Program for the Prevention and Relief of Abnormal Unemployment* (New York City, Mayor's Committee on Unemployment, Jan., 1917, pp. 132, 25 cents) contains the results of the experience of both of these committees. It is the work of John R. Shillady, secretary, and Bruno Lasker, assistant secretary, of the second committee. How successful the committee has been in arousing the country to prepare against a recurrence of unemployment crises may perhaps be judged by the fact that although the report was written in January, 1917, funds could not be secured for its publication until 1918.

After laying down the definition "the man may be termed unemployed who is seeking work for wages but unable to find any suited to his capacities and under conditions which are reasonable judged by local standards," the report analyzes the problem from the point of view of devising preventive measures against such unemployment. Chapters follow on what consumers and employers, financial institutions, and public authorities may do. Then "the emergency problem," arising out of a general depression, is discussed and the authors contend that the problem of unemployment at such a time is not only one of greater magnitude than in normal times, but that the very magnitude causes the problem to change in character. The responsibility of public authorities and organized philanthropy in meeting the emergency problem are then distinguished and systems of credit organizations and employment insurance described.

Seven of the thirteen chapters of the report are devoted to the discussion of this "preventive action and relief of unemployment by measures which must be in permanent operation to be effective." The remaining chapters are concerned with "emergency relief proper," which

is necessary to meet distress but which the authors say is really of minor importance. Yet the report goes into greater detail in discussing the principles of emergency relief and relief employment than it does in discussing preventive remedies; and the recommendations on this subject contained in the report are worked out with attention to administrative detail which makes them practical and convincing.

In such general terms as the following are recommendations made for permanent preventive measures: that a statistical "barometer of trade" be created by federal and state labor departments; that organizations more competent than the committee study the underlying economic causes of industrial dislocations; that a more widespread education of the people in the meaning and effects of crises and depressions be undertaken; that manufacturers prepare against necessity of closing down by a production policy that will hold back for hard times; that public improvements be planned so as to throw work on the market when private employment is slack; and that the federal government take appropriate steps to organize a nation-wide system of public employment bureaus. This makes a valuable review of unemployment remedies for the student, but is of little value as a program for practical action.

Quite different are the recommendations relating to relief work. The employment must approximate normal conditions; tasks must be suited to abilities of workers; wages paid must relate to efficiency and output; relief employment must be organized only by such agencies as are already in intimate touch with the people to be aided. These and many other principles of practical operation of relief work and charitable relief are discussed and recommended.

Had the committee on unemployment given the same attention to the practical details of administration of the permanent remedies for unemployment that they gave to relief work, perhaps they would have had more success in getting some of these recommendations adopted. As it was, the only result of the committees' work that could be seen was the relief work that they did.

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The United States Bureau of Labor Statistics has added to its Wages and Hours of Labor series a study on *Wages and Hours of Labor in the Lumber, Millwork, and Furniture Industries, 1915* (Washington, Feb., 1918, No. 26, Whole No. 225, pp. 314).

The federal Bureau of Mines has issued *Coal Mining Fatalities in the United States, 1917,* compiled by Albert H. Fay (Washington,

pp. 37); *Quarry Accidents in the United States during the Calendar Year 1916* (pp. 58); and *Metal-Mine Accidents in the United States during 1916* (pp. 91).

This bureau has also issued a pamphlet on *Report of the Committee on the Standardization of Mining Statistics,* compiled by Albert H. Fay (Washington, pp. 39).

The hearings before the House Committee on Labor relating to the employing of convict labor for the production of war supplies has been issued in three parts covering the dates of January 18 and February 1, 1918 (pp. 89).

The State Industrial Commission of New York has printed the *Proceedings of the Second Industrial Safety Congress* held December 3-6, 1917 (Albany, pp. 292).

The Industrial Commission of Wisconsin has reprinted the *Child Labor Law* with explanatory notes (Madison, 1918, pp. 32).

The National Civil Liberties Bureau has compiled a pamphlet on *The Truth about the I. W. W.,* "facts in relation to the trial at Chicago by competent investigators and noted economists" (New York, 70 Fifth Ave., 1918, pp. 55).

The Department of Labour of Canada has issued its *Seventh Annual Report on Labour Organization in Canada,* 1917 (Ottawa, 1918, pp. 227).

The Homestead Commission of Massachusetts, in a bulletin of December, 1917, presents a description of *The Lowell Homestead Project* (Boston, pp. 16).

The Industrial Commission of Ohio publishes the *Work of the Free Labor Exchanges of Ohio for the Year Ending June 30, 1917,* in its Bulletin, vol. IV, no. 13 (Columbus, Feb. 15, 1918, pp. 42).

Money, Prices, Credit, and Banking

SENATOR OWEN'S PROPOSAL TO STABILIZE FOREIGN EXCHANGE RATES. Developments of great ultimate as well as of immediate importance to those engaged in international trade are likely to result from the bill recently introduced into Congress by Senator Owen, chairman of the Senate Banking and Currency Committee, to establish the American dollar at par abroad.[1] The primary purpose of this bill is to correct

[1] See remarks of Hon. Robert L. Owen on Senate Bill 3928 to establish the Federal Reserve Foreign Bank, etc., in the Senate of the United States, February 25, 1918, Cong. Rec., pp. 2817-2825.

the difficulties encountered through the dollar's falling below its normal gold par in several of the neutral countries, particularly Spain, Norway, Netherlands, Denmark, and Sweden. In Spain the dollar has at times fallen to a discount in terms of pesetas as great as 40 per cent.

This depreciation of the dollar exchange has been exceedingly difficult for the outsider to understand. Trade statistics would seem to indicate that the dollar would be so urgently required by foreign countries to settle their indebtednesses to us that it would command a premium. For the calendar year of 1917 exports from this country exceeded the grand total of imports by 3.2 billions of dollars. This excess alone surpassed imports by more than 10 per cent. For 1916 the trade balance was 3.1 billions in our favor. And not merely for the trading world as a whole but for the very countries in which the dollar has fallen to a discount have our exports exceeded our imports. According to figures furnished by the Bureau of Foreign and Domestic Commerce our trade relations with four of these neutrals were as follows (in millions of dollars):

Country	Exports	Imports	Balance in our favor
Netherlands	90.5	22.7	67.7
Norway	62.8	6.2	56.5
Spain	92.4	36.8	55.5
Sweden	20.9	18.0	2.8

For each of these countries exports exceeded imports.

Why should not the dollar, therefore, be so eagerly desired in each of these countries that it would rise to a premium instead of falling to a discount? The answer is to be found primarily in the enormous credits extended by the United States to its European allies. Part of the sums loaned to Great Britain, for instance, are turned over to its manufacturers and tradesmen who buy from Spain. Dollar credits have thus been acquired in enormous amounts by neutral countries through the purchases in those neutral countries by our allies. Spain, having a favorable balance of trade with the world as a whole, has received more dollar credits than needed to balance its own requirements. In a similar manner, even if in a lesser degree, the same explanation suffices for the dollar depreciation in the other neutral countries mentioned.

The losses encountered by our trading and consuming public through this decline in exchange are obvious. Our exporters have received

fewer dollars; our importers have had to pay more dollars than otherwise would have been the case. In Senator Owen's words:[2]

> The fact that the Spanish peseta, however, is at a premium of 25 per cent means, in round numbers, that instead of an American dollar buying 5 pesetas it buys 4. It means that our merchants who bought $36,000,000 worth of goods from Spain, which they paid for in pesetas, receive in Spanish commodities 25 per cent less than they would have received if our dollar was at gold par in Spain. It means that the Spanish merchants who bought $92,000,000 worth of goods from us get with their currency one American dollar for 4 pesetas, and with that dollar, bought with 4 pesetas, get a like advantage in buying American goods, notwithstanding the fact that these pesetas in Spain do not leave Spain. The Spanish currency in gold thus buys more and our gold currency buys less because of this unadjusted condition.

Whether or not the loss can be measured in this simple mathematical manner is open to argument. With our importers suffering this loss by exchange their demand for goods may have fallen off sufficiently to lower prices for Spanish goods somewhat. Likewise our exporters, owing to this loss by exchange, have been less anxious to sell to Spain, and this reluctance may have raised the peseta prices commanded by our goods. There would be some compensation for the loss as figured above. But at any rate the loss is great. The problem simply reduces itself to this: that when dollar credits are not urgently required in Spain the Spanish exporter must have more dollars in order to obtain the same number of pesetas, and the Spanish importer need pay over fewer pesetas in order to acquire the same number of dollars' worth of commodities.

From the standpoint also of the psychological effect upon foreigners the depreciation of the dollar is not to be desired. A falling exchange has been a concomitant of most of our financial crises; and in less serious disturbances a depreciating dollar, indicating as it does future gold withdrawals, arouses anything but a state of confidence in the money market. A discount on the dollar abroad, therefore, may be pointed to by our enemies to indicate the weakness of our financial sinews; may be used to encourage the German and to discourage the American.

A dollar depreciated abroad, furthermore, may render more difficult our post-bellum position in international trade and banking. In no small measure the supremacy of sterling credits in the past has been due to its stability in terms of gold. If we wish to render the dollar equally acceptable it will be no less necessary for us to take steps to prevent its depreciation in terms of gold or other currencies.

[2] *Cong. Rec.*, p. 2818.

Senator Owen accordingly proposes that the Federal Reserve act be so amended as to provide for the establishment of a federal reserve foreign bank. This bank would assume the responsibility of furnishing American commerce with a stable exchange. It would have power to establish foreign branches generously equipped with power to acquire and sell foreign credits. If necessary these credits could be established in foreign countries by the sale of government bonds. No individual or bank other than this foreign bank would have the legal right to "sell dollar balances at less than gold par, except as payment for merchandise imported into the United States, without the express authority of the Federal Reserve Board." It would be directed by a board of nine men appointed by the President of the United States, and all of these would be merchants and not bankers. Bankers would be excluded from the directorate for "our American bankers have not sufficiently realized that banking grows with commerce . . . the banker who thinks in terms of interest and commission and profits and exactions, is not happily constituted to determine the best methods of serving commerce."[3] This would explain why reliance could not be placed on the recently established foreign branches of private banks. The proposed bank would be a reserve bank.

But why should it be necessary to establish another reserve bank? Indeed, some of our prominent financiers have gone on record as holding that our present reserve banks through their open market functions have all the power necessary to grapple with this problem. But no single one of the reserve banks is by law rendered responsible for financing the foreign commerce of the United States; and to delegate such responsibility to any one of them might give rise to questions of sectional favoritism. Furthermore, the "12 Federal reserve banks have found a field of such enormous activity in the domestic banking life of the United States that they have not been situated for adequately handling foreign business further than the acquisition of a very small part of available foreign bills."[4] It would be better to organize a single foreign bank through which the present reserve banks might buy and sell foreign exchange to meet the requirements of their own member institutions.

If established, what means could such a bank employ to correct the foreign discount on the dollar? In terms of the Spanish problem, what measures could be relied upon to increase the value of the dollar in pesetas?

3 *Cong. Rec.*, p. 2820.

4 *Ibid.*, p. 2819.

1. Sufficient shipments of gold might be made to Spain to establish all the peseta credits required.

But at the present time insurance rates are excessively high and such shipments would be abnormally expensive. And the volume of such shipments must be enormous, since Spanish credits are needed not merely because of our own requirements, which alone would be more than balanced by our exports to Spain, but by the requirements of all our allies who utilize our loans to buy from Spain. In the past year or so shipments of $88 millions did not suffice to right exchange. In times of mounting governmental expenditures it becomes more than ever incumbent upon us to conserve the gold supports of our domestic bank credits.

2. Credits might be established abroad by the export of commodities to Spain.

In view of the requirements of our allies an enormous volume of exports would be necessary to balance their indebtedness as well as our own. In the past few years an enormously favorable balance of trade on our part has not been sufficient. And the longer the war lasts, the greater become our demands for labor and materials, the more rather than the less difficulty will we find in fabricating articles of export. It should be noted, however, that the War Trade Board has recently adopted certain regulations designed to encourage such commerce. Arrangements have been made whereby licenses will be granted more readily to export the less essential commodities to such countries at times when tonnage is available. The encouragement of this export trade is part of the campaign to build up trading relations in fields formerly neglected by us or in part monopolized by Germany.

3. In Senator Owen's words: we could forbid "the sale of pound sterling for dollars and [compel] the Spanish merchants to buy dollars with pesetas. And this only means limiting arbitrage until the dollar reaches par."[5] In other words Spanish merchants would be prevented from transferring credits granted by our allies into dollar credits.

The effectiveness of this device so far as the United States alone is concerned cannot be doubted. It would compel Spain to balance its indebtedness direct with us and so long as the balance is favorable to us the dollar should tend toward a premium. But such a course would more than ever unsettle the English and French exchanges in Spain, since France and England would find it increasingly difficult to meet

[5] See "Putting the American Dollar at Par Abroad," speech of Hon. Robert L. Owen in the Senate of the United States, May 1, 1918, *Cong. Rec.*, p. 6359.

the claims of Spanish exporters. The ideal solution of the problem would be one which would lessen rather than increase the exchange difficulties of our allies.

4. "We can bring the American dollar to par by imposing an extra tax on goods required by Spain, putting the export tax at the currency rate of exchange whatever it is. It would not take Spain long to discover the wisdom of exchanging pesetas for dollars at par, but I do not believe in such a friction-arousing policy."[6]

5. Credits could possibly be established in Spain through some form of borrowing.

Such loan negotiations might be initiated with the Spanish government, Spanish bankers, or the Spanish public. Undoubtedly a great many difficulties might be encountered here. All classes in Spain might hesitate to part with the advantages of an appreciated peseta. In the past year several attempts of our private bankers to arrange such credits have failed, presumably because of this difficulty. German influence has also been held in part responsible for the failure of such negotiations and with the northern neutrals this might be all the more a bar.

Nevertheless, the writer believes every effort should be made to seek a solution by this method and that in such negotiations a foreign reserve bank would possess the advantage over any other agency. Aside from being more responsible for the stability of the dollar exchange than any private bank, it would be expected to have more weight in influencing further legislation, should such be necessary. Rather than submit to a tax on exports from this country, a tax which might be recommended by the directorate of this bank, Spanish authorities might the more willingly grant the credits on which they would realize 6 or 7 per cent. We could afford to pay this rate of interest rather than compel our merchants and our consumers to pay 40 per cent more for commodities through the depreciated dollar. And with such a bank in the field Spanish creditors could be assured that every effort would be made to prevent their suffering any loss through a future decline in exchange; that is, that credits established by them with this country could be got back without loss. The establishment of the foreign reserve bank would be the best guarantee that the parity of the dollar would be maintained. Finally, such a bank would have all facilities for establishing credits in Spain through the sale to the Spanish public of government bonds. Such flotations might be successful despite the indifference of Spanish financial authorities.

6 *Cong. Rec.*, p. 6359.

Criticisms of Senator Owen's proposal have been varied. One most emphasized is that made before the National Trade Council at Cincinnati by Mr. Kent of the Foreign Exchange Division under the Federal Reserve Board. Mr. Kent's position was that an unfavorable exchange retards imports, which is desirable in time of war when consumption must be reduced. In Mr. Kent's words:

> An adverse exchange rate is the key to such force [curtailment of imports] and is a great regulator of trade. It puts such difficulties in the way of our imports that without other pressure we endeavor to do without them in so far as possible. . . .[7]
>
> The United States, in order to carry out her part in the war, is going to be obliged to supply from her own resources and from those of many other countries of the world commodities to the value of many billions of dollars. Regardless of her great wealth, there is a positive limit to her ability to furnish such supplies. In order to win the war she must be in a position to do so for a longer period than the enemy. The length of time that she can continue to furnish needed supplies will depend upon her ability to conserve her resources.[8]

But may not imports from Spain be an assistance rather than a detriment in conserving our resources? There should of course be a cutting down in the consumption of those commodities not essential to the successful prosecution of the war. But many of the articles imported from Spain are necessary for war purposes, particularly those required by Pershing's army and our allies in France and Italy, and if obtained relieve the strain upon our factories, our labor, our railroads, and our shipping. For such commodities we should exert every means to make the dollar purchase as much as possible. As to unnecessary imports, their reduction can best be accomplished through the license system which operates directly, in the degree desired, and as effectively for the purchaser of large as for the purchaser of small means.

Whatever reduction of exports is desired can also be most directly accomplished by means of a license system. To the extent that exports do take place, however, they should be made to purchase as many pesetas as possible in order that the funds by means of which necessary articles of import may be bought may be the larger. Indeed, one can well understand the tenor of Senator Owen's remark that:

> If it is a good thing, as Mr. Kent thinks, that the dollar should be at 30 per cent discount, as it is at present in Spain, then it would be a better thing, according to Mr. Kent, to have it at 50 per cent discount, or at 60 per cent discount, and the bigger the discount the better for the American people. It

[7] *Ibid.*

[8] *Ibid.*, p. 6358.

is a "reductio ad absurdum." The argument is false and serves Germany's interest.[9]

Another objection to Senator Owen's plan is indicated by the following remark of Mr. Breton, vice president of the Guaranty Trust Company of New York, before the Senate Committee on Banking and Currency:[10]

There is a danger in establishing branches in foreign countries of Federal Reserve Banks. They might be called abroad "Government" banks or "official" banks. Take your proposed foreign bank, with $20,000,000 capital stock, most of which is owned by the Government—it will be really the United States Government doing business abroad, which might create very serious political considerations.

Granted the reserve bank would be thought of abroad as a government bank, would it not be all the more responsible for the avoidance of unfortunate political consequences? If it should be desirable to act through a private bank there would be nothing in the proposed bill to prevent its availing itself of any facilities a private bank might possess or any advice a private banker might grant. The private bank might not be so sensitive to such political considerations as Mr. Breton has in mind, and might be lacking in the motive or ill equipped with the weapons necessary to stabilize exchange.

Finally it is argued that anything the reserve bank could do to right exchange would be "begging money." To quote again from Mr. Breton:

Suppose that we just now wanted to raise money in Spain to pay for the purchase of provisions by General Pershing in France or Switzerland or Holland. With the Federal Reserve Foreign Bank established there, and with us going into the market, the United States Government really would be begging money from the Spanish government. I do not think we should do that. Furthermore, the probabilities are that the Bank of Spain, which is under the control of the Government, would refuse to lend us that money.

If United States bonds could be sold in Spain to private individuals would we be begging money or would they be begging our bonds? If Sweden and Denmark could be induced to grant us credits in return for our permitting them to obtain food supplies, would we be begging money or would they be begging food? Which is most depressing, to insist on loans or to permit the dollar to go begging for pesetas and fail to secure an exchange except at 40 per cent discount? And if foreign countries should refuse to grant the loans there would be the

[9] *Cong. Rec.*, p. 6358.

[10] For a newspaper account of Mr. Breton's remarks see *New York Times*, June 21, 1918, p. 15.

satisfaction that the most effective device had been utilized in the endeavor to secure them.

The merits of this controversy seem to be entirely with Senator Owen. His proposal touches the weakest aspect of American banking —the mechanism for financing foreign trade. For a country growing less provincial each day a means of holding stable the dollar exchange is indispensable. To a purely profit-seeking private bank the motives of encouraging the general interests of foreign trade may be lacking, and among private bankers there is likely to be neither the necessary unity of interest nor the possibilities of effective and harmonious action. And with the present reserve banks engrossed in the affairs of domestic industry, with no one of them specially charged with the responsibilities of furnishing credit to merchants engaged in foreign trade, some such bank as Senator Owen proposes seems necessary. For the particular matter in hand, the maintenance of the dollar at its gold par throughout the world, there seems at least to be no other effective mechanism.

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The following pamphlets have been issued on the subject of acceptances: *Acceptances,* published by the Mechanics and Metals National Bank of New York (pp. 50); *A Trade Acceptance Review,* by Lewis E. Pierson of the Irving National Bank (New York, pp. 29); *Trade Acceptance Catechism,* compiled by J. T. Holdsworth, published by the American Trade Acceptance Council (New York, Woolworth Bldg., pp. 31); *Commercial Credits through Acceptances,* an address by Albert Breton, published by the Guaranty Trust Company of New York (pp. 5); *Acceptances,* an address by W. G. Avery, also published by the Guaranty Trust Company (pp. 3).

A. Iselin & Company, 36 Wall St., New York, have issued a chart on *Economic Phases of the War,* showing daily quotations in New York during the years 1912 to 1917, inclusive, of silver, copper, wheat, cotton, and certain railroad and industrial stocks, and increases in prices of all commodities as shown by the percentage increase in the Index Numbers of the *London Economist* and *Bradstreet's.* The chart is prepared by T. W. Osterheld.

The Bankers Trust Company has issued two reports on the cost of living. The first is entitled *Report of Special Committee Appointed to Investigate Increased Living Costs* (Dec. 15, 1917, pp. 22) and the other is *Compensation for Increased Living Costs,* covering a six months

period ending June 30, 1918 (pp. 5). The first of these in particular contains useful data and helpful calculations.

A report of the committee on home economics of the Charity Organization Society of New York also deals with the question of the cost of living in a pamphlet *"My Money Wont Reach . . ."* (105 East 22d St., pp. 22). This tells "the experience of 377 self-supporting families in New York City in endeavoring to make their incomes provide the essentials for healthful living."

The Bureau of Labor of the State of Washington has published a four-page leaflet, *Comparative Statistics of Foodstuffs and Fuel for Five Years as Shown in a Budget of the Annual Cost of Living of a Family of Five Persons* (Olympia, Apr., 1918). Experts in that state have figured that the cost of food for the family of a skilled laborer should be about 41 per cent of the total cost of keeping the family.

The New England Telephone and Telegraph Company has organized a telephone workers' credit union which is described in a leaflet entitled *A Banking Institution Managed by and for Employees* (Boston, Room 105, 125 Milk St.)

The Commissioner of Rural Credits of South Dakota has prepared a pamphlet on the *South Dakota System of Rural Credits* telling how to secure a loan from the rural credit board (Pierre, pp. 8).

State banking reports have been received as follows:

Annual Report of the Superintendent of Banks of Alabama, 1917 (Montgomery, pp. 133).

Eleventh Annual Report of the State Bank Commissioner of Colorado, 1917 (Denver, pp. 43).

Fifth Annual Report of the Banking Commissioner of Kentucky, 1916-1917 (Frankfort, pp. 151).

Twelfth Report of the State Banking Department of Louisiana, 1916-1917 (New Orleans, pp. 213).

Eighth Annual Report of the Bank Commissioner of the State of Maryland for the period ending February 1, 1918 (Baltimore, pp. 227).

Annual Report of the Bank Commissioner of Massachusetts (Boston, 1918, pp. 558, ciii).

Annual Report of the Superintendent of Banks of New York Relative to Savings Banks, Trust Companies, etc., for the year 1917 (Albany, pp. 715).

Tenth Annual Report of the Bank Commissioner of Rhode Island, 1917 (Providence, pp. 332).

Eleventh Annual Report of the State Bank Examiner of Washington, 1917 (Olympia, pp. 41).

Public Finance

The Annual Report of the Secretary of the Treasury on *The State of the Finances* (Washington, 1917) contains a number of "Exhibits": acts relating to the issue of bonds; circulars of the Treasury Department in regard to liberty loans; and the war risk act with memoranda showing the terms and conditions of soldiers' and sailors' insurance.

In the Tariff Series the Department of Commerce has published No. 37, *Customs Tariff of Australia,* by L. Domeratzky (Washington, 1918, pp. 104) and No. 38, *Tariff Relations between Germany and Russia (1890-1914)* also by L. Domeratzky (pp. 23).

The Capital Issues Committee, in Circular No. 1, prints its *Rules and Regulations* (Washington, National Metropolitan Bank Bldg., June 4, 1918).

The Division of Bibliography of the Library of Congress has prepared a list of references on *Taxation of Intangible Property with Special Reference to Capital Tax* (Washington, April 24, 1918, pp. 16).

Relating to the Third Liberty Loan are the following brief documents: *Hearings before the House Committee on Ways and Means* (65 Cong., 2 Sess., Mar. 27, 1918, pp. 37); *Report* No. 428 to accompany H. R. 11123 from the House Committee on Ways and Means (pp. 13); and Senate *Report* No. 351 (Apr. 3, 1918, pp. 13).

The *Report of the Commission on Economy and Efficiency to the General Assembly* of Virginia contains chapters on the budget system and supervision of accounts (Richmond, Jan. 9, 1918, pp. 67).

The city comptroller of Rochester has published a pamphlet entitled *1918 Budget of the City of Rochester, N. Y.* (pp. 47), a digest showing the procedure followed in the formulation and adoption of the budget.

Bankers Trust Company, of New York, has issued a pamphlet *What is my Share of the Cost of the War?* (pp. 11) designed to show the proportion which a given income bears to the total requirements of the government.

The Guaranty Trust Company has prepared two pamphlets: *War Loans of the United States and the Third Liberty Loan* (pp. 23); and *War Finance Corporation Act* (pp. 52).

The National City Bank of New York has compiled a useful summary on *United States Government Financing from 1791 to 1918* illustrated by charts (pp. 38); and *Internal War Loans of Belligerent Countries. Also Consolidation Loan of Spain and Mobilization Loans of Switzerland and Holland* (pp. 144).

The New York Tax Reform Association (29 Broadway) summarizes in Circular No. 576 *The Bill to Limit Rate on Real Estate and Tax All Personal Property in the City of New York;* in Circular No. 577, *Double Taxation and Listing System for Personal Property Proposed by City Administration;* and in Circular No. 578, *Tax Legislation, State of New York, 1918.*

The Tax Commission of Kansas has compiled *Laws Relating to Assessment and Taxation in Kansas* (Topeka, Aug., 1917, pp. 141); also *Revised Instructions to be Observed* in the assessment and equalization of property, both real and personal, for the purposes of taxation (1918, pp. 136); and has published the *Proceedings of the Sixth Biennial Conference Convention* of the tax commission and the county assessors of the state of Kansas, held at Topeka, December 10 and 11, 1917 (pp. 102).

Reports of conferences have been received as follows:

Report of the Proceedings of the Seventeenth Annual Conference of the State Board of Tax Commissioners and the County Assessors of the State of Indiana (Indianapolis, 1918, pp. 112).

Report and Proceedings of State Board of Equalization of Kentucky, 1917 (Frankfort, pp. 83).

Proceedings of the Seventeenth State Conference on Taxation held in Bay City, February 27-28, 1918, published by the Michigan State Tax Association, George Lord, secretary, Detroit (pp. 91).

Report of the Sixth Annual Meeting of the Rhode Island Tax Officials' Association (Providence, Bull. No. 4, April, 1918, pp. 64).

Further tax reports to be noted are:

Report of the State Tax Commission, Kentucky, 1917 (Frankfort, pp. 28).

Report of the Tax Commissioner of Massachusetts (Boston, 1918, pp. 180).

Report on State Finances and the Budget (Massachusetts) made to the General Court by the Joint Special Committee on Finance and Budget Procedure (Boston, Jan., 1918, pp. 85).

Seventh Annual Report of the New Hampshire State Tax Commission (Concord, 1917, pp. 187).

Twenty-second Annual Report of the State Commissioner of Excise of the State of New York, vol. II (Albany, pp. 485).

Report of the State Tax Commission of North Carolina (Raleigh, 1917, pp. 405).

Sixth Annual Report of the Board of Tax Commissioners of Rhode Island (Providence, 1918, pp. 64).

Third Annual Report of the South Carolina Tax Commission (Columbia, 1917, pp. 121).

Report of the State Tax Board of Virginia, 1916-1917 (Richmond, 1918, pp. 79).

First Annual Report of the Statistics of Municipal Finances of Wisconsin (Madison, 1917, pp. 118).

The Commissioner of Taxes of Vermont has prepared a 1918 edition of *General Tax Laws of the State of Vermont* (pp. 54) and also *Questions and Answers Relating to General Tax Laws* (Montpelier, pp. 46).

Insurance and Pensions

THE WORKMEN'S COMPENSATION SERVICE BUREAU. The Insurance Department of the State of New York has published a special report which gives a bird's-eye view of the business of liability and compensation insurance. (*Report on Examination of the National Workmen's Compensation Service Bureau,* Albany, 1918, pp. 59). This bureau is an unincorporated association of twenty casualty insurance companies, organized for the purpose of establishing and maintaining rates for compensation and liability insurance, compiling experience statistics, supervising underwriting practices, and regulating commissions in the United States. Membership is open to companies engaged in liability or workmen's compensation insurance. Mr. A. W. Whitney, formerly of the University of California, is the general manager.

The bureau was organized in 1910 and has gone through several reorganizations since that date. Its history is of special interest as an effort to keep the competition between the companies within reasonable limits and to maintain adequate rates in spite of competition. This problem of rate making has, of course, been the most important feature of the bureau's work. At first, a separate manual of rates was constructed for each state, but this plan was superseded in 1914 by a basic manual with a system of basic pure premiums, modified by a schedule of differentials for the various states. The 1914 manual was revised in 1915 and in 1917, in each case experience having shown that higher rates were necessary.

Under the 1917 manual, the basic pure premium is modified by the following factors: (1) law differential; (2) factor for underestimate of outstanding losses; (3) factor for increasing claim cost; (4) factor for presence of occupational diseases; (5) variation due to merit rating, *i.e.*, schedule rating and experience rating; (6) loading for management expenses; (7) loading for profit; (8) loading for catastrophe hazard. All of these factors are combined into a so-called "chain multiplier" for each state, which, applied to the basic pure premium, gives the rate for any state.

The law differential is perhaps the most interesting of these items, as it shows what experts consider to be the relative amount provided by the various state laws to an injured workman. Thus the original Massachusetts act is rated as 1.00, while the act which became effective in 1917 is rated at 1.57; the highest rating is given to the New York act with 1.89, while the Vermont act, with 0.87, is the lowest.

The factor for increasing claim cost arises from the necessity of considering the tendency of claim cost of workmen's compensation to increase normally as the age of the law increases, and at the present moment there is an abnormal increase due to causes connected with the war. The normal increase in compensation costs is due to the gradual "liberalization" of attitude on the part of the bodies which administer the laws and to the fact that as workmen become better acquainted with the laws they submit more claims, demand better medical and surgical attendance and insist upon longer periods of convalescence. There is also some malingering to be expected. For the first year of an act, this factor is rated at 0.95, rising at about 5 per cent annually until the fifth year, when it is 1.14. A distinct increase in compensation costs has been caused by the present disturbed labor conditions and new untrained employees. For New York and states where similar conditions prevail, the increase factor has added to it 15 per cent; in the third year of a law, the normal increase is 1.10, to which is added .05, making a total of 1.15 for this factor at present.

The loading for management expenses is fixed at from 36 to 42.5 per cent; for profit, at 5 per cent of capital; and for catastrophe hazard, a loading of two cents flat per $100 of payroll in New York and one cent elsewhere.

After the rates have been constructed on this plan, they are applied to individual risks by variations based on merit rating. The two systems of schedule rating and experience rating are used and the recent developments in this field are of unusual interest.

One closes the reading of the report with the impression that the

excellent work of the bureau has been effective only when the power of the state has been available to give force to its advice and conclusions. One is also inclined to wonder whether it is worth while to permit private corporations to continue to operate in this field.

HENRY J. HARRIS.

SICKNESS INSURANCE AND EMPLOYERS' ASSOCIATIONS. The National Industrial Conference Board, a federation of employers' associations, has just published a pamphlet which may be considered an official statement of the employers' attitude on the question of health insurance (*Sickness Insurance or Sickness Prevention?* Research Report No. 6. Boston, 1918, pp. 24, 50 cents.)

The report first gives, in summary form, a short statement of the prevalence of physical defects and disabilities, using the data gathered by the Metropolitan Insurance Company, the recent reports on the recruits under the draft law, and other available information. The vital concern of industry in the problem is emphasized. The possibility of preventing these diseases and physical defects is shown by experience with such diseases as typhoid fever, tuberculosis, etc. Attention is then directed to the unfavorable results of European system of sickness insurance by citing the increase in the number of cases and duration of cases of sickness in Germany and Austria. The argument is brought to conclusion by stating that prevention of sickness is the antithesis of insurance.

This representative group of employers' associations will therefore oppose any plan for a system of sickness insurance on the ground that such a plan does nothing towards preventing sickness, that "the history of European sickness insurance disbursements strongly suggests a widespread and growing disposition on the part of the unscrupulous to profit at the expense of the honest" (p. 16) and that better results can be secured at less cost by a systematic campaign of prevention. An exhaustive investigation of the whole problem of national health by some federal body such as the Public Health Service should be undertaken before sickness insurance is considered. The opposition will, therefore follow the traditional procedure.

H. J. H.

GERMAN ACCIDENT AND INVALIDITY INSURANCE IN 1916. The operations of the German systems of accident and of invalidity insurance in 1916 are reported in a recent issue of the *Amtliche Nachrichten des Reichsversicherungsamts* (Jan. 15, 1918). The accident insur-

ance system shows the effect of the war both in the reduction in the number of persons insured and in the increase in certain of the accident rates. Assuming 1913 to be a normal year, the average number of persons in industries insured fell from 11,454,963 in 1913 to 8,485,852 in 1916; expressed in terms of 300-day workers, the numbers were 10,260,921 and 7,683,988 respectively. Of more interest are the accident rates; per thousand 300-day workers, the accidents resulting in death were 0.71 in 1913 and 0.95 in 1916; total permanent disability 0.05 and 0.05; partial permanent disability 2.40 and 2.61; temporary disability 4.61 and 4.28. In other words, the fatalities are distinctly higher, the permanent total disablements are unchanged, the permanent partial disablements are higher and the temporary disablements are lower. These figures do not include agriculture.

The invalidity (including old age) and survivors' insurance operations were affected to a marked degree by the law of June 12, 1916, which reduced the old age limit from 70 to 65 years. There is of course a large increase in the expenditures for orphans' pensions.

The income from contributions of the insured was 262,758,703 marks in 1913 and 201,322,453 marks in 1916; the expenditures for pensions were 187,861,831 marks in 1913 and 251,731,698 marks in 1916. The growth of the assets of all the insurance carriers shows a striking decrease during this period of increased expenditure; in 1913 the assets were 176,396,231 marks greater than the preceding year, while in 1916 they were 73,802,287 marks greater than the preceding year. The costs of administration have steadily increased; in 1913 they were 68 marks per 1,000 marks of total income and in 1916 had grown to 82 marks. The report states that large subscriptions to war loans had been made, but in spite of this the increase in the rate of interest on the investments had only been from 3.65 per cent in 1913 to 4.03 per cent in 1916.

The contributions of the insured are based on the wages received; there was a marked increase in the proportion of persons in the higher wage classes.

H. J. H.

Demography

Hearing before the Committee on the Census, House of Representatives (Washington, 65 Cong., 2 Sess., Feb. 20, 1918, pp. 259) relates to a bill to provide for the fourteenth and subsequent decennial censuses.

The Bureau of Foreign and Domestic Commerce has issued the 1917 edition of the *Statistical Abstract of the United States* (pp. 804).

Among recent pamphlets relating to health conditions are the following:

A Health Census of Chelsea Neighborhood, 14th to 42d Streets, 5th Avenue to the Hudson River, New York City, a community sickness survey conducted by the Metropolitan Life Insurance Company (New York, pp. 60).

Sickness Survey of Pittsburgh, Pennsylvania, by L. K. Frankel and L. I. Dublin (Metropolitan Life Ins. Co., 1917, pp. 22).

A Health Census of Kansas City, Missouri, also by L. K. Frankel and L. I. Dublin (pp. 11).

Framingham Monograph No. 2, Medical Series, 1, *The Sickness Census,* published by the Community Health Station, Framingham, Mass. (1918, pp. 24).